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SUBJECT: NIGERIAN LOCAL VIOLENCE CAUSES MINIMAL IMPACT
ON OIL PRODUCTION

1. Summary. A violent clash between local activists and police left seven dead in Delta state late last week. While Shell Oil moved non-essential staff from pockets of disturbance, there appears to be no disruption in oil production at this time. End Summary.

2. A simmering dispute between Ijaw activists and the government boiled over into a firefight late last week in the swamps near the town of Warri in Delta state. Reports indicate Ijaw youths from the village of Okerenkoko blocked a river channel used by both local residents and oil producers after the government failed to meet their demands to withdraw troops from the area, redraw electoral wards, and provide more oil revenue to local communities. Organized loosely under the umbrella group Ijaw Youth Council, headed by Bello Oboko, who sources tell us is from Okerenkoko, the youths refused to allow a military-escorted barge to pass on its way to an oil installation. Gunfire erupted, and various sources estimate four of the Ijaw and three soldiers were killed. Reports that three additional police officers were kidnapped during the gun battle remain unconfirmed.

3. In response to this gunfight and the current tension in outlying villages of Warri, Precious Omuku, Director of External Relations for Shell Petroleum Development Company of Nigeria, told Econoff that Shell has asked workers deemed non-essential to return from field operations to Warri for an undetermined period of time. He stated that Shell does not feel its operations or employees are under direct threat at this time, but rather, the company is taking precautions to minimize the number of its people in the field who might get caught in the crossfire between Ijaw youths and Nigerian police and soldiers. If violence escalates, more personnel may be withdrawn to Warri. Because he is away from corporate headquarters on a business trip to Port Harcourt, Omuku would not comment with any specificity as to whether oil production has been impacted, but he doubted the shifting of non-essential staff from remote locations to Warri would have any serious effect on Shell output.

4. Sola Omole, General Manager of Government and Public Affairs for ChevronTexaco, likewise reports that his company is monitoring events in the region very closely, but has taken no action in response to the Okerenkoko clash. Over the weekend, a ChevronTexaco vessel loaded with diesel fuel was captured and stolen, but its crew was released unharmed. Omole attributes this theft on the Ijaw youth blockade of Delta waterways, but still maintains the company does not yet feel targeted. He warns that the situation is very fluid, but noted that even if ChevronTexaco crude production in the area were to be disrupted, it amounts to some fifteen percent of the company's output, and which could be compensated for at other facilities, at least as a short-term response.

5. Comment. In the run-up to the April elections, incidents of inter-ethnic violence are bound to persist, as loosely organized local groups vying for power and money confront each other and the government, at times with bloody consequences. While allocation of oil revenue is a key component of many of these groups' complaints, recent violence has not been focused specifically on oil company facilities or their personnel. Nonetheless, the companies will take precautions as their facilities and workers can quickly get caught in the midst of communal clashes or become associated with what may be perceived as government action or inaction. If the violence remains decentralized and largely communal, crude oil

production should remain stable, as the GON frequently makes up anticipated drops in any one company's monthly production by increasing the output quota of other companies, and none of the major producers have their output flowing from only one region. At this time, personal safety appears to be the greatest challenge facing oil producers in Nigeria. End Comment.

HINSON-JONES